Government of the Northwest Territories

Comprehensive Response to

Report on the Review of the Report of the Auditor General to the NWT Legislative Assembly For the Year 1999

September, 2001

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Response to Recommendations of the Standing Committee on Accountability and Oversight in Reference to the Auditor General's Report on Other Matters for 1999

Recommendation #1): **Recommendation to adopt a progressive approach to the timely tabling of its Public Accounts**

Current Status: The 2000-01 Interim Public Accounts were completed in August 2001. While the original audit plan had called for a July 15th completion the delays in the implementation of a major change in the way we report Tangible Capital Assets which was integral to the preparation of the Interim Statements were unavoidable. It is still the hope of FMBS that the Consolidated Public Accounts will be completed in accordance with the original audit plan, agreed to by the Office of the Auditor General, with a release date on or before November 30, 2001.

Unfortunately this date does not comply with the Standing Committee on Accountability and Oversight recommendation of October 31, 2001 for the 2000/01 fiscal year. The recommendation could not be met for two reasons. First, it came too late in the process to be accommodated. Many factors including work of the Auditor General's Office needs to be scheduled before hand. Secondly, information from the implementation of tangible capital assets was not final until late July. This information had to be completed before a restatement of our opening numbers could be done.

In future years, any completion dates prior to October 31, as were suggested by the Standing Committee, would see a different final product. For example, we now produce Interim Financial Statements and Consolidated Public Accounts. To meet an earlier completion date on future Consolidated Public Accounts we would have to forego publishing Interim Financial Statements. While this is not in itself a bad thing, the Interim Public Accounts are relied upon for a significant amount of Government planning. It must be noted that Public Accounts have been delayed by non-recurring factors in the past two years as the result of Division and its subsequent fallout and again in the current year with our change in the way we record tangible capital assets. If the Government was to maintain the current publication of both sets of statements then a July 31 deadline for the Interim Financial Statements and a

deadline of October 31 for the Consolidated Public Accounts are dates that should be considered for future reporting.

Recommendation #2): **Recommendation to publish performance indicators that report the financial health of the Government.**

Current Status: The 2000-01 Consolidated Public Accounts will include performance indicators recommended by the Public Sector Accounting Board. The indicators will be presented with comparatives where possible and based on the information in the Consolidated Public Accounts, as well as statistics published by Statistics Canada.

We are presently in the process of verifying with Statistics Canada whether or not the calculation of NWT GDP can be finalized prior to November of the following year, as is the case this year, for year 2000 information. GDP is an essential component of many performance indicators. If Public Accounts are published at the end of October, the previous year's ratios might have to be tabled separately in early December if Statistics Canada can not have the prior year GDP figures available in September.

Response to Recommendations of the Standing Committee on Accountability and Oversight in Reference Follow-up to the Review of the Auditor General's Report on Other Matters for 1997/1998

Subsequent Recommendation #1): **Recommendation that the Minister responsible for the NWT Business Credit Corporation (BCC) implement a process that would require the BCC to disclose non-proprietary information to the Legislative Assembly.**

Current Status: See attached in Appendix A.

Subsequent Recommendation #2): **Recommends that the Government revisits Recommendation #3 from 1997/1998 and address the following issues. a) commitment to review FAA; b) address requirements for accountability frameworks, monitoring and tracking systems; and c) adequately address compliance issues.**

Current Status: See attached in Appendix B.

Subsequent Recommendation #3): **Recommendation the Government identify action plans, benchmarks and firm timelines in its management responses to all recommendations raised in subsequent reports of the Auditor General.**

Current Status: The government will ensure that replies to the Report on Other Matters of the Auditor General includes action plans, benchmarks and firm timelines where relevant and appropriate.

See Appendix C for "Bring Forward List from the Review of the 1999 Auditor Generals' Report".

Appendix A

The Standing Committee on Accountability and Oversight (SCOAO) recommended that the Minister responsible for the Northwest Territories Business Credit Corporation (BCC) implement a process that would require the BCC to disclose non-proprietary information to the Legislative Assembly.

The Department of Justice provided a legal opinion to Resources, Wildlife and Economic Development (RWED) respecting the disclosure of information to the Legislature and how the SCOAO's recommendation could be implemented. According to the legal opinion provided by Justice release of such information under the existing *Business Credit Corporation Act (BCC Act)* is only possible after obtaining the written authorization from the BCC client.

The *BCC Act* would have to be amended to specifically permit the release of information to the public without obtaining written authorization from the client. The amendment would have to state that the provision relating to the release of this information prevails notwithstanding the *Access to Information and Protection of Privacy Act*.

The Business Program Review Committee (BPRC) has recently submitted their recommendations to the Minister of RWED. The report includes a recommendation to replace the BCC and the NWT Development Corporation (DevCorp) with a single financial program delivery agency.

RWED is preparing a Decision Paper for Cabinet consideration outlining the recommendations made by the BPRC and seeking authority to proceed with the development of a Legislative Proposal along the lines of the recommendations. Concurrent with the implementation of new legislation, the *BCC Act* would be repealed.

The BPRC also recommended that client confidentiality should be maintained. It recommended that public reporting of corporation performance should be limited to aggregated regional performance, without listing individual loan recipient names. In the event of loan write-off, disclosure of names and amounts would be appropriate. Naming of contribution recipients in annual reports should be expected.

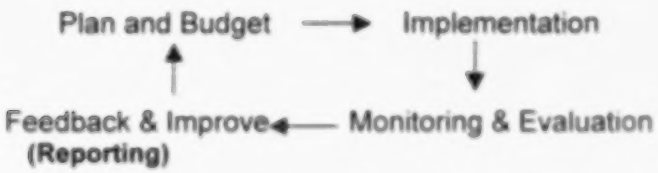
While the BPRC recognized potential benefits to disclosure of client names, amount, and purpose of loan, it also noted that some businesses might suffer in areas where there is competition through tendering where a competitor's debt information would be useful in adjusting a bid, based on relative financing costs. This could discourage some clients from applying. It was their opinion that this possibility outweighs potential benefits that may be gained from more detailed disclosure, and that accountability structures and auditing would be more appropriate controls.

APPENDIX B

The requirements for accountability framework monitoring and tracking systems and more tools for ensuring compliance with policies, directives, regulations and procedures are being addressed. Amendments to the FAA will be assessed at the completion of this work.

Many accountability tools and instruments are now in place and utilized by the GNWT. As they are a part of every day business, they tend to get overlooked with regard to the government's efforts toward accountability and transparency. Currently, an accountability loop is being tested against these standing processes and instruments.

Suggested Accountability Loop



While this may seem simple, the difference is that the improvement and feedback phase has been stated explicitly in the cycle. In the past, many loops have simply assumed that feedback and improvement would occur, but the GNWT is looking for ways in which this can be strengthened. The following is a outlay of the tools used in tandem with each pase of the cycle.

Plan and Budget	Implementation	Monitoring and Evaluation	Reporting, feedback and Improvement
Strategic Planning Business Planning Main Estimates Program Design Policy Research	(Departments carrying out their core business and special projects under the guidance of GNWT legislation and policy)	Program Evaluation Performance Measurement Audit (Internal/External) Program Monitoring Operational Reviews Human Resource Plans Comprehensive Reviews Value for Money Studies Compliance Monitoring Performance Reviews Auditor General Reviews Policy Reviews Performance Appraisals	Public Accounts Standing Committee Reports Results Reports Annual Reports Press Releases/Public Affairs Response to Auditor General Public Consultation Variance Reporting Interim Financial Reports Accreditation Reviews Contract Reporting

The FMBS is drafting a policy, which speaks to each of these items, and will be making recommendations on how each instrument or process can be strengthened under the accountability commitment.

The overarching policy will also be addressing third party accountability. The GNWT prefers to lead by example in this area, and there will be commitments that both the GNWT and Third Parties will have to fulfill to complete the cycle. The draft policy will propose an integrated accountability framework for the expenditure of public monies and resources for the government and for third party organizations who receive public funding. Much of the development work in this area has been completed through a project involving the MacLeod Institute (Report attached).

If approved, third parties will be classified according to criteria, which include: alignment with the Legislative Assembly's priorities, financial investment, human resource investment, public interest, administrative structure, and legal status. The roles and responsibilities of the third party and the corresponding responsibility of the GNWT will be outlined.

TOWARDS A 3rd PARTY ACCOUNTABILITY FRAMEWORK

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APPENDICES:

A. TERMS OF REFERENCE

B. PEOPLE WHO PROVIDED INPUT

C. GLOSSARY OF TERMS

D. FURTHER READING

E. MACLEOD INSTITUTE TEAM

PREFACE

The Macleod Institute was retained by the Government of the Northwest Territories (GNWT) to develop recommendations for a 3rd party accountability policy framework which identifies common requirements and also the unique requirements of specific stakeholders.

The Institute conducted a *Literature Review* which canvassed public sector accountability practices in every jurisdiction across Canada. It also explored recent developments with respect to accountability practices in the voluntary sector. In addition to examining some useful precedents, the literature review identified ten best practices to guide the GNWT in advancing towards its new Framework.

The Institute prepared a second report, *Existing 3rd Party Funding Policies and Practices*, after reviewing 78 statutes and regulations, and numerous manuals, policies, business plans, reports, strategic plans and directives relating to more than 104 third party organizations. The Institute also held preliminary interviews with a cross-section of senior government and 3rd party officials. The *Existing* report identified gaps and inconsistencies in accountability measures currently being applied by various agencies. It also highlighted a number of building blocks - existing policies and practices that give a foundation on which an overall accountability framework can be built.

The Institute conducted three stakeholder workshops to determine issues and concerns, and to obtain 3rd party funding recipients' views on an appropriate accountability framework. The one-day workshops were held in three locations (Fort Simpson, Inuvik and Yellowknife). A workbook was prepared and delivered to all participants prior to the workshops. Participants included representatives of education councils, health management boards, community governments, territorial corporations, housing authorities and the voluntary sector. A total of 24 individuals attended the workshops. *Partners in Accountability* reported on the 3rd parties' perspective regarding issues and challenges that their organizations face in adopting and implementing new approaches to accountability.

This *3rd Party Accountability Framework* documents the Institute's recommendations for a Framework. Issues such as capacity, training, staged implementation and stakeholder participation are addressed. Applying lessons learned from the *Literature Review*, building on *Existing 3rd Party Funding Policies and Practices* where appropriate, and incorporating the views reported in *Partners in Accountability*, this document offers practical suggestions to take the project beyond the report stage and into implementation.

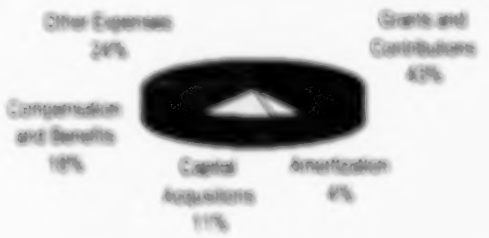
The Institute could not have undertaken this project without the cooperation of, and input from, a large number of 3rd party and government officials. We wish to take this opportunity to thank all those who provided analysis, views and other feedback, all of which helped to shape the recommendations in this report.

1.0 INTRODUCTION

Third party organizations are entities that are listed in Schedules A, B and C to the *Financial Administration Act*, or that otherwise receive grants or contributions from the Government of the Northwest Territories (GNWT) for the purpose of delivering public services on behalf of the government. Examples of 3rd party organizations include education councils and authorities, the Aurora College, health boards of management, territorial corporations such as the NWT Housing Corporation, the Legal Services Board, the Status of Women Council, community governments, band councils, and a host of not-for-profit, non-governmental organizations (NGOs).

Approximately one-half ($400 million) of the GNWT's annual appropriations are expended by 3rd party organizations. Grants and contributions are the largest component (Figure 1).

Figure 1: GNWT Budget, 2001 / 2002



The Auditor General of Canada has encouraged the GNWT to clarify its accountability relationships with 3rd parties by saying, in his *1998 Report to the NWT Legislative Assembly*:

> As responsibility for carrying out programs continues to devolve from the government to grant and contribution recipients, the onus is on the government to ensure that [3rd party] programs are still being carried out effectively and efficiently. The government must find a way to balance their recipients' greater autonomy with the associated risks, in order to establish the greatest benefit for the people of the NWT.

2.0 UNDERSTANDING ACCOUNTABILITY

At its most basic, accountability is about communicating what will be done and what has been done. The Canadian Comprehensive Auditing Foundation described it by saying,

> Accountability clearly establishes the right of citizens to know what government and its entities intend to achieve on their behalf and how well they have met these intentions.
> (*Principles for Building a Public Performance Report*, 1999)

The Auditor General explained that accountability measures are adopted

> ... so that management, legislators and other stakeholders can tell the people what they intend to do and what resources they plan to spend doing it. But the entities also need to measure what they achieve against these goals, and determine where performance measurements or results information is needed.
> (*Report to the NWT Legislative Assembly*, 1998)

Accountability is both a communications tool and a management tool. The tool is used to let the people know how public money is being spent on their behalf. It is also used by managers to make informed decisions about, and continuously improve, the services they provide to the people.

Accountability helps to measure success

Some participants at the Accountability among Partners workshops that helped inform this Framework were uncomfortable with the accountability process because they felt it would be used as a means to criticize their performance, and perhaps penalize them. As one person said, "The fear is that, if the measurements are used, it will show results aren't there."

But accountability is designed as much to help 3d party organizations improve their programs, as it is b publicly report results. As the Auditor General of Canada has said,

> Something has to happen as a result of reporting accountability information in order to 'close the loop'. The parties reviewing results need to consider what has been accomplished in light of expectations and the circumstances that existed, and then recognize achievements as well as under-achievements.
> (*Modernizing Accountability Practices in the Public Sector*, 1998)

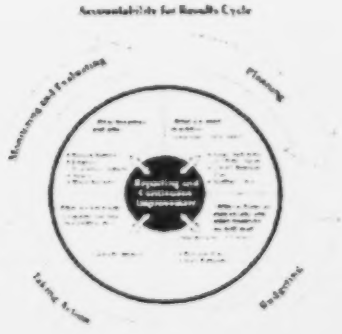
3.0 ACCOUNTABILITY LOOP

The Accountability Loop illustrates a continuous cycle of planning, budgeting, implementation (taking action), monitoring and evaluating progress, and then reviewing existing programs in the light of feedback and making adjustments to improve them. Regular reporting is a feature of the whole process, and the cycle promotes continuous improvement. Figure 2 illustrates the Accountability Loop that the Institute recommends for use by the GNWT and its 3rd party organizations.

Figure 2: New Accountability Loop

The recommended Accountability Loop is different from the one that the GNWT currently uses (Figure 3).

Figure 3: Old Accountability Loop



Source: *Financial Management Board Handbook*, Appendix 1

Both Accountability Loops illustrate four steps. However, the GNWT's old loop splits the planning phase of the cycle into two parts, planning and budgeting, which only leaves room in the diagram for two other steps – taking action, and monitoring and evaluating. Since budgets are financial and spending *plans*, the new Accountability Loop includes them in one step: Plan and Budget. That leaves room to illustrate three more steps: Implement, Monitor and Evaluate, and Feedback and Improve.

This fourth step is very important from a 3rd party organization's point of view. Participants at the Accountability among Partners workshops were unanimous in their desire to receive feedback from government departments regarding their accountability reports. "They have great demands for a lot of information that seems to go nowhere and nothing much comes back", was how one person put it. A key message from the workshops was sent to the government: "Establish better links with 3rd party organizations – accountability is a two-way street." Participants wanted to develop a good relationship and meaningful dialogue with the GNWT. They summed it up by saying "Keep in touch. We have to learn."

Typical activities that occur at each phase of an accountability cycle include:

Plan & Budget This phase of the Loop involves strategic and business plans, and includes *developing* vision and mission statements, *identifying* opportunities and obstacles, *setting* objectives, *deciding* on which performance measures to use, *setting* targets and *preparing* budgets.

Implement *Delivering* programs and services forms a major part of the Loop.

Monitor & Evaluate The next stage of the Loop deals with the questions: *What* happened and *why*? It involves monitoring, measuring, evaluating and reporting results (outcomes). This step is crucial to tracking success.

Feedback & Improve The final phase of the Loop takes what has been learned and *adjusts* programs to get better results. Ultimately, the aim of an accountability system is to *improve* the quality of services provided to the public. This step in the cycle celebrates successes, and also points the way towards changing policies and programs for the better.

4.0 PRINCIPLES FOR AN ACCOUNTABILITY FRAMEWORK

A review of accountability practices in every public sector jurisdiction across Canada and in the Canadian voluntary sector, together with an analysis of the GNWT's existing 3rd party funding policies and practices, helped to identify nine principles, or best practices, that provide a strong foundation for a 3rd Party Accountability Framework. A tenth principle, establishing good relationships and dialogue between the GNWT and 3rd party organizations, was identified by workshop participants and serves to reinforce the Framework's foundation. The principles are set out below in the same order as steps in an accountability cycle.

Planning

- ✓ Develop a clear legislative mandate
- ✓ Establish clear roles and responsibilities, and a solid commitment from leaders
- ✓ Establish clear expectations (including appropriate performance measures)

Implementing

- ✓ Build flexible approaches recognizing organizational diversity
- ✓ Respect and build capacity to participate
- ✓ Implement in stages

Monitoring and Evaluating

- ✓ Balance performance management and public reporting exercises
- ✓ Supplement performance management with program evaluations

Feedback and Improving

- ✓ Establish good relationships and dialogue between the GNWT and 3rd party organizations
- ✓ Evaluate the accountability framework

The Institute's recommendations for the GNWT's 3rd Party Accountability Framework are presented on the following pages under the headings Planning for Accountability, Implementing the Accountability Cycle, Monitoring and Evaluating: Drivers to Success, and Feedback: Improving Relationships, Programs and Practices.

5.0 PLANNING FOR ACCOUNTABILITY

A typical planning process establishes clear organizational mandates, defines roles and responsibilities, assigns leadership roles and clarifies expectations. A well-designed 3rd party accountability system requires that these same steps be followed to establish an effective Framework.

Develop a clear legislative mandate

The experience in many jurisdictions suggests that it is important to legislate accountability requirements. Legislation creates the commitment to make developing and implementing an accountability framework a priority. Statutes should spell out the requirements of an accountability process, including the general contents of business plans and results reports.

Participants at the Accountability among Partners workshops called for a coherent and coordinated government policy framework. To establish an accountability system that applies to both government and 3rd party organizations, having a uniform statutory mandate helps to provide a common understanding of what is required.

Both Alberta and BC have passed umbrella acts prescribing accountability practices. Alberta has applied its system to all "accountable organizations" which are defined to include government departments, school boards, health authorities, and crown-controlled corporations, boards, commissions, councils and similar bodies (*Alberta Government Accountability* and *Financial Administration Acts*). Although the scope of its framework is cast broadly, Alberta imposes a stricter burden on the Provincial Treasurer and Ministries than it does on 3rd party organizations. Flexibility in application of the *Government Accountability Act* is maintained by stipulating that "accountable organizations" must simply prepare a business plan and annual report in a form acceptable to the Minister. This requirement is similar to existing GNWT 3rd party funding practices.

If the GNWT adopts this legislative approach, a new act would be needed. In addition, the current *Financial Administration Act* would require consequential amendments, as would several other enabling statutes.

Establish clear roles and responsibilities, and a solid commitment from leaders

> *Accountable to whom? We have to put more effort in at the beginning, into defining who is responsible for what. We need clear consistent messages about responsibilities and constraints. (statements made at Accountability among Partners workshops)*

The Auditor General of Canada agrees. His first principle of effective accountability states that the roles and responsibilities of parties in an accountability relationship should be well understood and agreed upon.

Several NWT precedents already exist. The Minister of Health and Social Services, for instance, has defined roles and responsibilities both for herself and for the various health boards of management which receive GNWT funding. These seven-page statements of roles and responsibilities are then formally incorporated in contribution agreements signed by the Minister and the Board Chairperson. Another example is the Deh Cho Divisional Education Council's Job Description (Policy 2.4). Paragraph 4 simply, and clearly, states that the "Council will be accountable to the residents of the Deh Cho and other stakeholders by ongoing communication."

Umbrella accountability legislation will provide a basic definition of responsibility for 3rd party organizations, but more specific statements will be needed to satisfy the need for clarity and certainty expressed at the workshops. Standard clauses should be developed for contribution agreements to ensure that all 3rd party funding recipients agree with the GNWT as to "who is responsible for what". The *Financial Administration Manual's* 401 series of directives can be modified to include a provision outlining minimum requirements. More detailed statements, like the health board directives, will continue to be tailor-made for more complex funding arrangements.

It is essential that Ministers and senior government officials demonstrate their commitment to implementing a 3rd Party Accountability Framework. It is desirable that 3rd party leaders, or a substantial number of them, also demonstrate their commitment to adopting accountability measures. The Framework will introduce major changes in the way organizations do business. Change is usually resisted by a significant portion of those who will be affected by it. Therefore leaders must make it clear that their commitment is an enduring one, and that the accountability process is a high priority for their organizations.

Establish clear expectations (including performance measures)

An accountability framework needs to clearly state (1) its scope and purposes in language that all stakeholders understand, and (2) the time frame planned for its implementation. Ideally, scope and purpose are first described in plain-language legislation. Guidelines are then needed to provide more detailed information. They should cover business planning, performance measurement, tools for monitoring, evaluating and reporting results, and feedback mechanisms. Depending on the scope of the accountability framework, it will be appropriate to structure guidelines around types of 3rd party organizations. Newfoundland's *Guidebook* provides excellent precedents for establishing clear expectations with respect to different levels of 3rd party organizations.

Performance measures need particular attention. They are, perhaps, the most intimidating part of accountability systems for people who have never used them before. Since fear breeds resentment and resistance, the spectre of performance indicators can seriously impede progress in implementing the Framework. Far better, then, to engage 3rd party organizations early, so they can learn and help to design quantitative and qualitative measures that are appropriate for their own management needs.

Workshop participants would heartily agree with this suggestion. One individual spoke for all when he said "we need to get participation and grass roots involvement in the KPIs [key performance indicators] so that participants will 'own' them."

It is also important that the right indicators be chosen. A classic example of inappropriate measurement was given at the workshops – "indicators such as graduation rates don't work for a school that hasn't existed long enough to have graduates." Local knowledge is extremely valuable in developing KPIs. 3rd party organizations know, and can help define, what is important enough to be measured. The process of coming to agreement on outcome measures is valuable too, as it builds common understanding, common language and common definitions between the GNWT and 3rd party organizations.

The GNWT's *Guide for Measuring Performance* will be helpful in getting 3rd party organizations involved. It is user friendly, and incorporates tools for use in a workshop setting that actively engage stakeholders in designing and choosing effective performance measures.

6.0 IMPLEMENTING THE ACCOUNTABILITY CYCLE

Cities aren't built in a day, and neither are functional accountability systems. The city of Charlotte, North Carolina, for example, first began measuring the effectiveness of its services in the 1970s. Early efforts showed little result, however, because they lacked a strategic focus. The city discovered it was using an audit tool, when it really needed a planning and management tool. Today Charlotte has evolved to a sophisticated cycle of setting strategic goals, preparing business plans, targeting budgets to objectives, and implementing employee pay packages that reward success. Their experience now serves to inspire and teach others, with much faster results.

Build flexible approaches recognizing organizational diversity

One of the keys to Charlotte's success is its focus on a few strategic areas. It does not, and cannot, fully devote its tracking system to every service it delivers, although all are important in one way or another. Instead, it chooses to concentrate most closely on what it considers to be critically vital for the City's well-being and prosperity.

A similar strategic approach is warranted in the NWT. The large number of 3rd party organizations, the rich diversity amongst them and special circumstances such as multiple accountabilities and self-government negotiations calls for a Framework that accommodates everyone without losing sight of priority outcomes.

The Auditor General of Canada hinted at a strategic approach when he said that the GNWT "must find a way to balance [3rd party organizations'] greater autonomy with the associated risks." The challenge is to identify which services are critically vital for the Territory's well-being and prosperity, and which risks are significant enough to demand a higher standard of accountability.

Choosing priorities is not a science. Ultimately, decisions will rest on a judgement call as to what is more, and what is less, significant. To guide the GNWT and 3rd party organizations in coming to a decision, criteria for selection will need to be developed.

Newfoundland offers a precedent for determining the level of a 3rd party organization's participation in an accountability system. It bases its decisions on five criteria, assigns organizations to one of three categories, and then applies accountability requirements with varying degrees of rigour (Figure 4).

Figure 4: Criteria and 3rd Party Categories in Newfoundland

Criteria	Category 1	Category 2	Category 3
Adequate organizational resources	yes	varies	no
Distinct administrative supports	yes	varies	no
Operating / financial plans in place	yes	yes	varies
Going concern / legal entities	yes	yes	varies
Public interest in activities	moderate to high	low to moderate	low to moderate
Fiscal impacts to province	moderate to high	low to moderate	low
Level of compliance with accountability framework	**Full**	**Partial**	**Mostly exempt**

Source: *Achieving Excellence 2000: A Guidebook for the Improved Accountability of Public Bodies*

Newfoundland's classification system has several advantages. It is relatively simple to describe. It offers only three categories, thereby reducing the number of choices decision-makers must face. And it is qualitative, leaving considerable room for judgement (and therefore flexibility).

The classification system can also be criticized, however. The generality of the criteria fail to inject any sense of strategic focus. Does an organization qualify for full participation simply because it can afford it (having adequate resources etc.)? Or become virtually exempt because it can't? What determines "high" public interest? How large must a (presumably negative) fiscal impact be before it moves from low to moderate, or from moderate to high? The matrix is also somewhat simplistic. Some organizations might answer yes to all four criteria at the top of the list, but be ranked as low on the public interest and fiscal impact scales. Since that profile doesn't fit into any of the three categories, it is difficult to predict how the organization would be treated.

Still, the Newfoundland example provides a good starting point for developing a strategic approach to determining which 3rd party organizations should be required to adopt the Accountability Framework in whole or in part. Building on Figure 4, an alternate suggestion is put forward below.

Figure 5 lists seven criteria across the top of the table. The first six criteria refer to key goals set out in *Towards a Better Tomorrow*. They cover health, effective governments, education, job creation and potential environmental damage. These criteria could be further refined, but they have the advantage of linking accountability to priority objectives. The seventh criterion is financial risk to the GNWT (high expenditures, lost investments, or legal liability).

Figure 5: Criteria for 3rd Party Categorization: an Alternate Suggestion

Weight	Health and community-wellness	Effective aboriginal and public governments	Basic education skills	Post-sec'y education & training	Job creation	Potential environmental damage	Financial risk for GNWT	TOTAL
5								
3								
1								

The left hand column assigns weights of 5, 3 and 1 to the impact an organization may have (either positively or negatively) on each criterion. The right hand column is provided to record the total "score" achieved by each 3rd party organization. The maximum possible total is 35 (unlikely to be reached, since few organizations operate in all sectors covered by the criteria). A scale can be devised, ranking organizations as eligible for minimal, partial and full participation in the Accountability Framework (Figure 6, as an example). Then all that remains is to determine what minimal and partial participation entails.

Figure 6: Scale for 3rd Party Participation in Accountability Framework

Ranking	Level of Participation in Accountability Framework
1 – 5	Minimal
6 – 10	Partial
11 and above	Full

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3								
1								

The left hand column assigns weights of 5, 3 and 1 to the impact an organization may have (either positively or negatively) on each criterion. The right hand column is provided to record the total "score" achieved by each 3rd party organization. The maximum possible total is 35 (unlikely to be reached, since few organizations operate in all sectors covered by the criteria). A scale can be devised, ranking organizations as eligible for minimal, partial and full participation in the Accountability Framework (Figure 6, as an example). Then all that remains is to determine what minimal and partial participation entails.

Figure 6: Scale for 3rd Party Participation in Accountability Framework

Ranking	Level of Participation in Accountability Framework
1 – 5	Minimal
6 – 10	Partial
11 and above	Full

The alternative offered in Figures 5 and 6 can also be criticized, of course. Deciding what impacts an organization may have, and what weight should be assigned in each case, still requires that the decision-makers make a judgement call. Also, the scale is somewhat arbitrary; if an organization scores 11 instead of 10, will that justify full accountability? Another objection is that the criteria do not take capacity into consideration, although it is questionable whether capacity should be a determining factor, especially when strong governments are a priority for the GNWT. Finally, this alternative is not as simple as the one offered by Newfoundland and therefore may not receive the same degree of acceptance by government and 3rd party organization decision-makers.

If neither of these options is deemed to be acceptable, the GNWT may wish to consider Alberta's approach – there, the level of participation is left entirely to the discretion of the Minister unless an accountable organization is subjected to a higher standard by case-specific legislation (such as the *Alberta School Act*).

Regardless of what approach the GNWT takes, however, common sense alone should persuade decision-makers that the Accountability Framework needs to be flexible in its application.

Multiple accountabilities is an issue that is frequently raised in connection with accountability. Many argue that their organization should not be required to report to the GNWT since their primary responsibility is to their own constituents, boards or community residents. There is little justification for this position, however. As long as public monies are being given to a 3rd party organization to deliver public services on behalf of the GNWT, then the public has the right to know what the organization intends to achieve and how well it has met those intentions (Canadian Comprehensive Auditing Foundation). Ministers, supported by their departmental staff, are the democratically established channel for communicating results to the public, through the Legislative Assembly, and are therefore entitled to ask for and receive accountability reports.

On the other hand, accountability requirements should not be abused by the GNWT. A patriarchal, heavy-handed, "top-down" approach is not appropriate. As one workshop participant put it, "if we deliver programs, meet goals and stay within the overall budget, we shouldn't be nit-picked about line items in the budgets."

Respect and build capacity to participate

Capacity was the number one challenge identified at the workshops. More training is definitely needed. A candid assessment of the situation was offered by one person, who said "the problem with the accountability system is that organizations don't know how to follow it, and they don't want to follow it." "In my region," explained another participant, "communities have many problems. If questions are asked of them, one – they don't want to answer them; and two – they don't know how to answer them." Simply put, "capacity training is needed for boar[illegible] [and NGO] staff to create reports, plans and other accountability documents." A long-term, systematic approach needs to be taken. "This can't be a one-time shot-gun approach. It needs to be supported and funded year to year." "We need a more coherent approach to training, which would eliminate inefficiencies."

The capacity challenge exists for government departments as well. Learning to let go is encouraged. Skills need to be developed, "to allow for flexibility and innovation, working from the bottom up. Government doesn't usually encourage that, but the NGOs can often respond to necessary changes and react to needs quicker than the government."

Also, additional resources would be welcome. "Some regional MACA offices don't have the capability or capacity for assisting communities. For instance, communities send financial information to the regional office for the financial indicators report, but the offices don't have the capacity to respond." "All of the system has been refocused or reduced so that there are insufficient resources to prepare or deal with reports at the board level, and not enough resources in the department to provide feedback." The same is true for many 3rd party organizations. "It takes organizations an inordinate amount of time to evaluate and report on the effectiveness of the accountability framework. If applied to an NGO without a staff, this would require more money, as it is an onerous task."

Building capacity and developing continuity (corporate memory) in both the government and in 3rd party organizations needs to be established as a priority action. Persons or divisions having a combination of analytical skills and knowledge of programs are needed to implement an effective accountability framework.

Some options to consider include

- ✓ using the School of Community Government, or something similar, to provide certificates of achievement in public management accountability
- ✓ creating a corps of accountability practitioners on call for training, assistance and advice to government and 3rd party organization staff
- ✓ providing departmental support facilities for 3rd party organizations, including secondments and exchanges
- ✓ developing kits like the Community Justice Division has done, to give 3rd party organizations an accountability template. For smaller agencies, the simple workplan and tools included in the kit provide a basic introduction to the Accountability Framework that can be supplemented by workshops, formal training and networking
- ✓ supplying 3rd party organizations with computers and software that enables them to collect, compile and analyze data for monitoring, evaluation and feedback purposes
- ✓ extending internet access to all communities, developing a website with links to the many sites that publish real-time examples of accountability in practice, and building an intranet site to share best practices / dialogue among northern practitioners

Success invariably depends to a significant degree on an up-front investment of the resources needed to develop and implement an Accountability Framework. Organizations can meet nominal requirements by temporarily tasking people to participate in *ad hoc* business planning, measuring, reporting and evaluation exercises. Sustainability, however, is another matter. Developing the capacity to integrate the system throughout the web of governments and 3rd party organizations delivering public services requires the creation of infrastructure that is dedicated to managing ongoing accountability functions.

Implement in stages

As the City of Charlotte discovered, progress is made in stages over time. There is no way to flatten the learning curve completely. In Newfoundland, too, designers of the accountability framework have recognized that implementation will take several years. Everyone needs time to develop an understanding of, and a capacity to meet, expectations of the framework. Practically speaking, roles and responsibilities, goals, workplans that are tied to the goals and performance indicators should be the focus of attention in the early stages of implementation. Some useful tips regarding performance measures include

- ✓ build on the strategic plan
- ✓ focus on results
- ✓ choose a limited number of meaningful measures
- ✓ minimize data collection costs – in terms of both money and time
- ✓ involve those who will be expected to collect, or to use, performance data
- ✓ in return for greater accountability for results, allow managers greater flexibility in making spending decisions
- ✓ develop an accounting system that is not just an "overlay" to the traditional line-item budget
- ✓ in order to allay fears or misconceptions, encourage communication among all stakeholders throughout the implementation process

(borrowed from Alberta's *Results-Oriented Government, A Guide to Strategic Planning and Performance Measurement in the Public Sector*)

7.0 MONITORING & EVALUATING: DRIVERS TO SUCCESS

In the short term, government departments are likely the best candidates, at least in most cases, to collect and compile performance data for the 3rd Party Accountability Framework. This practice should be considered as a temporary stop-gap only, however. The monitoring and evaluation functions are among the most valuable and rewarding aspects of an accountability system. Designed and interpreted properly, the collection and analytical activities give managers a powerful tool for driving the organization toward success (as defined by the organization itself). All 3rd party organizations should be encouraged to take ownership of these functions as soon as it is practical for them to do so. Anyone who is ready, or on the verge of being ready, to initiate a monitoring program should be given additional support. To withhold resources (people, money or equipment) is to deprive the organization of an opportunity to become self-reliant and capable of improving the well-being of its constituents.

The monitoring and evaluation phase of the accountability cycle deals with the questions: What happened and why? Results reports are therefore one of its primary outputs. To facilitate adoption of accountability practices among 3rd party organizations, a standardized, user-friendly reporting format should be developed. MACA's *Community Development Contribution Policy* (99.04) can be built upon to encourage practical, but effective, results reports. The department's simple report form asks a series of questions designed to generate outcome statements, and focus on successes, as follows:

- ✓ Did the purpose of the project change from the original proposal? Why?
- ✓ How did the project benefit the community / organization?
- ✓ What were the results of the project?
- ✓ How were the results achieved?
- ✓ Will there be a follow-up to the activity?
- ✓ What training and / or skill development was delivered?
- ✓ How will the new training or skill development be used by the community?

Flexibility and levels of participation recognizing organizational diversity were discussed earlier (pages 9 to 12). The question of what constitutes minimal and partial participation in the Accountability Framework arose, and is relevant in the context of reporting requirements.

Many jurisdictions define minimal participation by falling back on traditional practice. They simply require that standard annual reports and audited financial statements be filed, as has been done for years on end. This approach is not recommended.

Developing what the Auditor General of Canada calls a "performance management culture" is an essential ingredient for the success of a territory-wide 3rd Party Accountability Framework. "The public sector traditionally has had an administrative culture which emphasizes the measurement of inputs, whereas a performance management culture is focused on managing inputs and outputs to achieve outcomes." To tolerate any number of 3rd party organizations perpetuating the old administrative culture (as epitomized by traditional annual reports and audited statements) is to defeat the purpose of having a broadly framed accountability system. A fundamental culture change must be encouraged, and everyone needs to participate to some extent.

Fortunately, accountability instruments do not need to be complex or voluminous. Two examples have already been cited: MACA's *Community Development Contribution* Report Form, and the Community Justice Division's accountability kit. As a minimum requirement, then, all 3rd party organizations should be expected to develop simple role and responsibility statements, workplan/budget projections and results reports that integrate financial data. Focusing on the new language and mind-set will eventually influence the corporate culture of even the smallest organization.

Partial participation should, in addition to the above, require organizations to develop a small number of simple performance indicators specifically designed to suit their own goals and purposes. Again, the GNWT has already developed a useful tool in this regard (the *Guide for Measuring Performance)*. A formalized, regular feedback mechanism should also be instituted, with a particular emphasis on personal interaction and learning opportunities.

In the longer term,

Balance performance management and public reporting exercises

Existing accountability frameworks tend to focus on public reporting requirements (for example, tabling business plans and results reports in the Legislative Assembly). Framework documents too often place very little emphasis on the accountability cycle as a whole, which circles from strategic planning through program and policy design, implementation, performance measurement, reporting and feedback, coming full circle back to setting strategic objectives. This lack of balance tends to leave a key incentive for adopting an accountability framework off the agenda. Organizations which have committed to setting public performance objectives and reporting on their achievements need the freedom to manage to those objectives. If they are prevented from doing so, the reporting process may unfairly expose them to public scrutiny, because the managers will be unsuccessful in meeting their performance measures.

Supplement performance management with program evaluations

Performance measurement, though a key part of efforts to be more accountable, cannot replace program evaluations. Performance indicators identify what outcomes occurred, but they do not determine whether, and to what extent, a program or organization (as opposed to other situational factors) is responsible for creating observed outcomes. Only a performance evaluation will generate that information. No manager is content to know what happened, without knowing whether he or she caused it to happen. Clearly, good managers need to know both; hence the need for both performance measurement (and reporting systems) and systematic program evaluations.

8.0 FEEDBACK: IMPROVING RELATIONSHIPS, PROGRAMS & PRACTICES

The ultimate aim of accountability is to improve the quality of what is done, which is not achieved simply because information is reported.
(*Achieving Excellence 2000: Accountability Framework Guidebook*)

Establish good relationships and dialogue between the GNWT and 3rd party organizations

Participants at the Accountability among Partners workshops clearly felt that they needed more feedback from the GNWT. Typically they asked "how is the partner (GNWT) accountable? It's a 'top down' management structure." "Information goes in, but we don't see results of this reporting." "Accountability to whom? We often prepare reports but get limited feedback on them. If the Board is getting little feedback, what do the people get?"

The feedback loop presents an excellent opportunity to strengthen relationships, develop common understandings, language and definitions, and build solid alliances aimed at achieving common goals. Properly done, the feedback loop can also provide learning opportunities for both parties in an accountability relationship. Over time, familiarity with a 3rd party organization's needs and preferred outcomes will influence the government's agenda.

The voluntary sector has suggested that emphasis be shifted from the funder's desire for increased surveillance, to how accountability measures benefit an organization and its clients. Providing feedback that helps 3rd parties grasp the management tools that accountability systems make available would enhance the probability that the Framework will succeed.

The GNWT needs to consider how best to capitalize on feedback mechanisms in order to promote capacity building and full participation in the 3rd Party Accountability Framework. Meetings, workshops, and informal conversations are time consuming, but would pay long-term dividends. At the very least, a thoughtful (and supportive, if possible) written response to 3rd party accountability reports should be mandatory on the part of all government ministries.

Evaluate the accountability framework

Few accountability frameworks include a provision to evaluate their own effectiveness. In some jurisdictions, Auditors General are mandated to audit results reports and the process that generated them, but that is not equivalent to determining whether public management reforms are themselves achieving the objectives they specified. It is therefore worthwhile committing to a medium-term (at least five year) assessment of the Accountability Framework once it has been implemented.

BC's *Budget Transparency and Accountability Act* mandates a review of the reformed budgeting process by 2009 at the latest. Although some distance into the future, this provision establishes a point at which the system itself will be subjected to the scrutiny that it demands of government departments, Crown corporations and 3rd party organizations.

9.0 NEXT STEPS

Moving from intention to implementation requires focus, commitment and resources.

1. As a first step, the GNWT needs to give serious consideration to designating a champion who will dedicate the time and energy necessary to building and sustaining a momentum for putting the 3rd Party Accountability Framework into action. This individual needs to have direct access to the senior executive charged with responsibility for the Framework, and must be given sufficient human resources to support the roll-out process.

2. As a second step, a basic level of understanding about accountability's purpose and practices needs to be established across a critical mass of 3rd party organizations. A series of interactive workshops based on some of the precepts in this report would help to build a common perspective and allay some fears and misapprehensions.

The workshops should be designed to engage participants in a hands-on experience that begins to embed an appreciation for the fundamentals, while additional feedback from the 3rd parties continues to refine the proposed Framework.

3. Thirdly, the contribution and grant policies (*FAM* 401 series) should be revised to incorporate basic accountability measures.

4. In addition, a comprehensive review of departmental policies needs to be undertaken. The gap analysis conducted by the Institute (see section 4.0, *Existing 3rd Party Funding Policies and Practices*) has identified some specific inconsistencies and holes in current policy instruments (i.e., legislation, policy directives and guidelines). However, since the Institute relied on materials it was given, it cannot say with assurance that all relevant documents were reviewed. A due diligence search is needed to supplement the review, and the results of the two exercises should be consolidated in one itemized list of revisions.

5. As a related initiative, an analysis of probable implications arising out of legislating accountability should be undertaken.

6. One aspect that was not investigated at all is the GNWT's accounting system. Whether it supports or detracts from a performance management culture is an unknown factor.

7. Guidelines need to be developed, and user-friendly tools devised for dissemination to all the 3rd party organizations that are considered to be likely pioneers in adopting the Framework. The Guidelines should be constructed so that incremental levels of participation are accommodated, and a sufficient number of options is included, so that flexibility is incorporated into the process from the outset. Existing tool kits and precedents can serve as building blocks.

8. The Financial Management Board Handbook needs to be updated to reflect the latest evolution in accountability measures and practices. At a minimum, the Accountability Loop needs to be redrawn.

9. A feasibility analysis of training options needs to be undertaken and cost estimates prepared. Innovative approaches such as the new partnership between the Canadian Evaluation Society and the Coalition of National Voluntary Organizations should be explored. Is there a possibility that experienced professionals could be recruited as occasional members of a corps of accountability practitioners (see page 14)?

10. Regular mandatory feedback mechanisms need to be instituted. Again, the feasibility and implications of making them mandatory need to be assessed.

11. Finally, the GNWT should consider whether any incentives can be offered to 3rd party organizations to encourage their participation in the Framework. A symbolic incentive might involve an alliance between the GNWT and one or more influential 3rd party organizations.

Appendix C

Bring Forward List From the Review of the 1999 Auditor General's Report

Item a – Guidelines for decision making for negotiated contracts

Current Status: The Department of the Executive, in conjunction with other departments, will draft a policy to bring clarity and certainty to the GNWT's management of negotiated contracts.

The draft policy will address intent, authority and accountability, eligibility, conditions and reporting and will draw upon the results of the government-wide review of procurement practices and procedures.

In keeping with protocols on the development of Commissioner-in-Executive Council approved policies, the draft negotiated contracts policy will be referred to Standing Committee for review.

As per Executive's Business Plan, a draft policy will be submitted for Standing Committee for review before the end of the fiscal year.

Item c – Requests a copy of the BIP review when completed

Current Status: The BIP Review will be completed by October 31, 2001. In the interim the attached Consultation document and Summary of Public Consultations is submitted as an update to the process.

Item g – Rationale for Aurora College adopting June 30 as their year end.

Current status: Submitted to Committee, June 12, 2001